Senate Bill No. 1435

Passed the Senate August 31, 2000

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Secretary of the Senate

Passed the Assembly August 31, 2000

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Chief Clerk of the Assembly

This bill was received by the Governor this ______ day of ________________, 2000, at ______ o'clock ____M.

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Private Secretary of the Governor

CHAPTER ________

An act to amend Section 22950 of, to amend and renumber Section 25000 of, to add Section 25923 to, and to add Chapter 3 (commencing with Section 25930) and Chapter 4 (commencing with Section 25940) to Part 13.5 of Division 1 of Title 1 of, the Education Code, relating to teachers' health benefits, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1435, Johnston. Teachers' health benefits: Medicare premiums.

Existing law requires the State Teachers' Retirement System to develop a health care benefits program for members of the Defined Benefit Program and related persons, subject to appropriation of funds and further legislative authorization, as specified.

This bill would recast that provision to delete that requirement and to instead provide that development of any health care benefits programs shall be subject to appropriation of funds and further legislative authorization, as specified.

The bill would also establish the Teachers' Health Benefits Fund, a continuously appropriated special trust fund in the State Treasury, and provide that moneys from that fund shall be used to pay the premiums associated with Medicare Part A for members of the Defined Benefit Program who retired prior to January 1, 2001, and meet specified criteria. The bill would authorize the Teachers' Retirement Board to additionally pay from the fund those premiums for certain members who retire on or after January 1, 2001, subject to certain findings by the board based on an actuarial valuation of the payment program, as specified. The bill would provide that a certain portion of the employer contributions to the Teachers' Retirement Fund shall instead be deposited into the Teachers' Health Benefits Fund for purposes of the payment program and would appropriate $500,000 from that fund to the board for administration of the bill's provisions.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 22950 of the Education Code is amended to read:

22950. (a) Employers shall contribute monthly to the system 8 percent of the creditable compensation upon which members' contributions under this part are based.

(b) From the contributions required under subdivision (a), there shall be deposited in the Teachers' Retirement Fund an amount, determined by the board, that is not less than the amount, determined in a actuarial valuation of the Defined Benefit Program pursuant to Section 22311.5, necessary to finance the liabilities associated with the benefits of the Defined Benefit Program over the funding period adopted by the board, after taking into account the contributions made pursuant to Sections 22901, 22951, and 22955.

(c) The amount of contributions required under subdivision (a) that is not deposited in the Teachers' Retirement Fund pursuant to subdivision (b) shall be deposited directly into the Teachers' Health Benefits Fund, as established in Section 25930, and shall not be deposited into or transferred from the Teachers' Retirement Fund.

SEC. 2. Section 25000 of the Education Code is amended and renumbered to read:

25900. (a) All costs incurred by the system to develop health care benefit programs pursuant to this part shall be paid by allocations from the Teachers' Retirement Fund as appropriated for that purpose.

(b) Any health care benefits program developed by the system pursuant to this part shall not be implemented by the system unless specifically authorized by a statute enacted by the Legislature.

SEC. 3. Section 25923 is added to the Education Code, to read:

25923. ‘‘Fund’’ means the Teachers’ Health Benefits Fund.

SEC. 4. Chapter 3 (commencing with Section 25930) is added to Part 13.5 of Division 1 of Title 1 of the Education Code, to read:

CHAPTER 3. ESTABLISHMENT AND CONTROL OF FUND

25930. There is in the State Treasury a special trust fund to be known as the Teachers’ Health Benefits Fund. There shall be deposited in the fund the employer contributions required under subdivision (c) of Section 22950, income on investments, other interest income, income from fees and penalties, premiums paid by members, donations, legacies, bequests made to the fund and accepted by the board, and any other amounts provided by this part. Notwithstanding Section 11340 of the Government Code, the proceeds of the fund are hereby continuously appropriated without regard to fiscal year for purposes of this part. The design and administration of the fund and any program financed from the fund shall comply with Section 115 of Title 26 of the United States Code.

25931. The board shall have exclusive control of the administration of the fund. No transfers or disbursements of any amount from the fund shall be made except upon the authorization of the board for the purpose of carrying into effect the provisions of this part. Except as otherwise limited by the California Constitution and by law, the board may, in its discretion, invest the assets of the fund through the purchase, holding, or sale of any investment, financial instrument, or financial transaction, when the investment, financial instrument, or financial transaction is prudent in the informed opinion of the board.

25932. Return on investments shall be collected by the State Treasurer and, together with any other moneys received for the fund, shall be immediately deposited to the credit of the fund and reported immediately to the system. Money in whatever form received directly by the system for the fund shall be deposited immediately in the State Treasury to the credit of the fund.

25933. (a) For purposes of this section, ‘‘plan’’ means any health benefits program that is financed from the proceeds of the fund.

(b) The board shall maintain all data necessary to perform an actuarial investigation of the demographic and economic experience of the plan and for the actuarial valuation of the assets and liabilities of the plan.

(c) The board shall retain the services of an actuary to do all of the following:

(1) Make recommendations to the board for the adoption of actuarial assumptions that, in the aggregate, are reasonably related to the past experience of the plan and reflect the actuary's informed estimate of the future experience.

(2) Make an actuarial investigation of the demographic and economic experience, including the mortality, service, and other experience, of the plan with respect to members or any other persons eligible to receive benefits from the plan.

(3) At least biennially, using actuarial assumptions adopted by the board, perform an actuarial valuation of the plan that identifies the assets and liabilities of the plan, and report the findings to the board. The report of the actuary on the results of the actuarial valuation shall identify and include the components of normal cost and adequate information to determine the effects of changes in actuarial assumptions. Copies of the report on the actuarial valuation shall be transmitted to the Governor and to the Legislature.

(4) Recommend to the board all rates and factors necessary to administer the plan, including, but not limited to, mortality tables and interest rates.

(5) Recommend to the board a strategy for amortizing any unfunded actuarial obligation.

SEC. 5. Chapter 4 (commencing with Section 25940) is added to Part 13.5 of Division 1 of Title 1 of the Education Code, to read:

CHAPTER 4. MEDICARE BENEFITS PROGRAM

25940. (a) Effective July 1, 2001, the system shall pay to the federal Health Care Financing Administration the premiums associated with Medicare Part A for retired members described in this section.

(b) This section shall apply only to a retired member of the Defined Benefit Program who: (1) retired prior to January 1, 2001, (2) is not eligible for Medicare Part A without payment of a premium, (3) is at least 65 years of age, and (4) enrolled in Medicare Parts A and B at the age of 65 years or as of July 1, 2001, whichever is later.

(c) The board may extend eligibility for the payments described in this section to members of the Defined Benefit Program who meet the requirements of subdivision (d) and who retire on or after January 1, 2001, within a calendar year specified by the board, if the board finds that the cost of the payments for members retiring during the specified calendar year may be paid within the anticipated resources available in the fund, as determined by the actuarial valuation of the plan established by this chapter, conducted pursuant to Section 25933. Any extension of eligibility to members who retire on or after January 1, 2001, shall be provided equally to any member who meets the requirements of subdivision (d) and retires during the calendar year specified by the board.

(d) Eligibility for the payments described in this section pursuant to subdivision (c) shall be limited to members of the Defined Benefit Program who retire from a school district that either: (1) completed a division pursuant to Section 22156 of the Government Code prior to January 1, 2001; or (2) completed or is conducting a division pursuant to that section on or after January 1, 2001, and, if the member was less than 58 years of age at the time of the division, the member elected to be covered by Medicare.

(e) The amount paid to the federal Health Care Financing Administration pursuant to this section shall include any penalties applicable to enrollment in

Medicare Part A or Part B by members who enroll after the age of 65 years. Notwithstanding any other provision of this section, this subdivision shall apply only to members who are over the age of 65 years on July 1, 2001. The board may require a member on whose behalf a penalty would be paid pursuant to this subdivision to authorize the system to deduct the Part B premium from the member's retirement allowance as a condition of having the system pay the Part A premium pursuant to this section.

SEC. 6. There is hereby appropriated from the Teachers' Health Benefits Fund to the Teachers' Retirement Board the sum of five hundred thousand dollars ($500,000) for administration of the provisions of this act.

Approved ______________________________, 2000

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Governor